



In this issue:

- First-home commitments reach decade high
- How to make the most of a low interest rate environment
- Should you try to avoid paying LMI?
- Choosing the right paint colours for your home

First-home commitments reach decade high

First-home buyers have been keen to jump on the property bandwagon so far this year, with new figures showing that numbers have reached a 10-year high.

Data from the Australian Bureau of Statistics (ABS) shows that owner-occupied first-home buyer loan commitments in January reached their highest point in ten years.

The number of loan commitments to owner-occupier first-time buyers went up by 3.2 per cent from December 2019 to January 2020.

Figures also show that there was a large year-on-year increase, with the number of owner-occupier first-home buyer loan commitments up by 25.6 per cent since January 2019.

ABS Chief Economist, Bruce Hockman, said the value of housing loan commitments has grown at the fastest rate since the turning point in lending activity in mid-2019.

“This growth continued to be driven by owner occupier housing, which rose 5.0 per cent in January, the eighth consecutive month of uninterrupted growth,” he said.

Why are we seeing more first-timers in the market?

Without a doubt one of the largest drivers of growth amongst first-time buyers is the current low interest rate environment. The official cash rate is sitting at 0.5 per cent as of March 2020, and there are strong indicators that there will be another rate cut as soon as April.

First-home buyers are also taking advantage of the federal government’s First Home Loan Deposit Scheme, which was introduced at the start of the year. The scheme allows eligible first-home buyers to break into the property market with a deposit of as little as 5 per cent, without having to pay lenders mortgage insurance.

How to make the most of a low interest rate environment

Interest rates are lower than they’ve ever been before, with the Reserve Bank of Australia cutting the official cash rate to a meagre 0.5 per cent at its March meeting.

This is the fourth rate cut since June 2019 and there are a number of predictions that there will be at least one more rate cut before the year is out, possibly as early as April.

An interest rate cut can bring about good or bad news depending on your situation, but there are things that anyone can do to make the most of the current economic climate.



Pay down any debt

When interest rates are low it's a great time to take a look at your overall amount of debt and try to pay it down faster if you can.

Some people choose to reduce the amount they're paying on their home loan each month after a rate drop, but if you can it's worth continuing to make the same payments you have been so you can get ahead on your loan and pay it off sooner.

Keep in mind that the quicker you pay off your mortgage, the less interest you will end up paying overall – which means you could end up shaving thousands of dollars off of your mortgage.

Take a close look at your savings accounts

While it may be a good time to pay down debt, a low interest rate environment isn't so good for your savings account.

Low interest rates mean that your savings account won't be earning you as much as usual so it's a good time to shop around.

Compare the different savings accounts on the markets and try to find one that will work better for you. Alternatively you may want to use this time to park your money elsewhere. Which brings us to our next point...

Consider investing

Since your money won't be earning you as much sitting in a savings account, it's worth looking for other ways you can get your money to work for you.

It's true that the current global economic environment is quite volatile due to the coronavirus, meaning it could be a risky time to invest in something like the stock market, however there are other investments that have less risk involved.

In uncertain times bricks and mortar investments like property and gold tend to be more popular choices, however everyone should do their own research and work out where their money will work best for them.

Should you try to avoid paying LMI?

First-home buyers all across the country have been rushing out to take advantage of the First Home Loan Deposit Scheme, allowing them to purchase a home with as little as a 5 per cent deposit without the need to take out lenders mortgage insurance (LMI).

But is LMI really that bad?

Taking part in the scheme is a great option for those that are struggling to save up for the 20 per cent deposit required by most banks, but if you aren't eligible for the scheme there may still be an option to take out a loan for a home if you're willing to use LMI.

What is LMI?

If you haven't heard of LMI before, it's a one-off payment made by the borrower to protect the lender in the event there is a default on loan payments.

You can generally expect to pay it if you need to borrow more than 80 per cent of a home's value. This can allow borrowers to get into the market sooner because they don't need to save for a full 20 per cent deposit on a home loan.

Should you try to avoid it?

Taking out LMI is an added cost to consider, and the more you need to borrow the more you can expect to spend.

Obviously buyers will want to limit their buying costs as much as possible, however saving for a 20 per cent deposit on a home can be tricky – particularly if you're planning to buy in a fast-moving market.

Could there be a higher cost in waiting?

In some cases it could cost you more to wait to buy than it would to pay the extra needed for LMI.

For example, let's say you need a year to save for a 20 per cent deposit but in that time property prices are predicted to go up by 5 per cent.

That means that a \$500,000 property would be worth \$525,000 by the time you have saved enough - so it's going to cost you an extra \$25,000 (plus you'll need a bigger deposit) if you wait to buy.



In contrast it might cost you around \$15,000 if you want to purchase that same \$500,000 property now using LMI with a 5 per cent deposit.

Every property market is different and will grow at a different pace of course, but you will need to assess for yourself how long it might take you to save for the full 20 per cent deposit needed to avoid LMI versus how much property prices are likely to rise in that time.

Every buyer needs to assess their own situation and decide what will work best for them. Many people are happy to pay LMI if it means they can own their own home sooner.

Seek out professional financial advice to find out what is best for your circumstances and if you're not sure you want to pay LMI, remember the best thing you can do is keep saving as much as you can to help you on your way to affording your dream home.

Choosing the right paint colours for your home

Painting the house is often top of the to-do list for sellers. That's because painting either the interior or exterior of a home is one of the easiest ways to make it look vibrant and new again.

If you've ever wandered down the aisles of your local paint store looking at the large range of paint chips on display you'll know that deciding on colours is no easy task though.

So, what should you do?

1. Figure out the look you're after

Give some thought to the overall look and feel you're trying to create in your home. Do you want it to feel light and bright, or are you after more of a dark and cosy feel?

Get inspiration for your home by looking in home design magazines, or searching online on websites like Pinterest or Instagram.

When deciding what might work in your space consider things such as lighting, existing fixtures, the era the home was built in and how big the space you're working with is.

2. Get to the paint store

Once you have a general idea of the colours you want to use you can head to the paint store and pick out a few different paint chips that catch your eye.

Mix and match different paint colours to see how they work together. You might like to pick out multiples of a certain colour to take home so you can see how they work with existing finishes like kitchens and furniture.

3. Test out samples

After narrowing your choices down to a few colours it's time to start sampling! If you're not keen to test out colours by painting onto your existing walls, consider getting a piece of cardboard you can paint on. Move it around the room to see how the colour looks at different angles and check it at different times of day when the lighting will be different.

4. If in doubt, keep it neutral

You may have wanted to give your home a bit of colour, but if you're stuck on finding one that works well in your home then it's best to stick with the classics such as white, cream or grey, which work in most settings.

However, anyone who has tried to decide on a white paint will probably tell you that it can be hard deciding on the right shade of this too.

Some people simply stick with the most popular colours on the market, which isn't that bad of an idea, but just make sure consider the kind of light your property gets and the overall look you're going for.

If you really can't decide on the right colours it may be worth trying to find a professional colour consultant service where someone can visit your home and recommend colours for you to use.

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